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SUBJECT: GAS CRISIS: ORANGE RIVALS APPEAR UNITED

Classified By: Ambassador William Taylor; reasons: 1.4 (b/d).

Summary

1. (C) Thus far at least, Orange rivals PM Tymoshenko and President Yushchenko have shown a unified front in the face of the gas crisis with Russia. They signed off on a joint statement January 1 and sent a unified team, with a pre-agreed upon position, to Brussels January 8 for talks with Gazprom and the EU. Even opposition Party of Regions leader Yanukovich has, to date, been restrained in criticism. Meanwhile, a GOU leader on Russia policy regards Putin's actions as visceral -- and ultimately self-defeating. End Summary.

Leaving Differences at the Pipeline's edge (for now)...

2. (C) Deputy PM Nemyria, in a conversation with the Ambassador January 7, remarked that PM Tymoshenko and President Yushchenko were "on the same page" regarding the gas crisis. Nemyria would lead a team to Brussels January 8 that included Presidential Advisor for Energy Security Sokolovskiy and DFM Yelisieiv as well as Oleh Dubyna, Naftohaz Chairman. The Presidency and Cabinet of Ministers had agreed on a negotiating position -- conveyed as well in a joint letter Nemyria said they would present to European Commission President Barroso -- with three main points:

- Russia must immediately resume gas flow.
- EU representatives should take part in talks.
- EU technicians should be deployed at borders to monitor gas flows.

3. (C) While he did not elaborate, Nemyria did admit that Yushchenko had undercut negotiations with the Russians on December 31 by calling back the Ukrainian team.

4. (SBU) Following the failure of the two sides to reach agreement, Tymoshenko and Yushchenko issued a joint statement January 1 outlining a common GOU position. A fundamental point was that with the fall in the price of oil, Gazprom's earlier offer of \$250 tcm was at or near market level while the existing transit fee of \$1.7 was half that of the Central European market.

Yanukovich Quiescent - thus far

5. (SBU) Opposition Party of Regions leader Viktor Yanukovich, who has long criticized Orange forces for ineptitude in their handling of relations with Russia, has remained largely silent thus far regarding the gas crisis. While lambasting the government -- Tymoshenko in particular -- for incompetence on the economy in a TV interview January 6, Yanukovich did not offer any specific criticism of the government's handling of the gas crisis. He called only for early Rada attention to the matter.

Thoughts on Putin

6. (C) Konstantin Gryshenko, First Deputy Secretary of the National Security and Defense Council who serves concurrently

as Ambassador to Russia, contacted the Ambassador January 7. Gryshenko predicted that the gas crisis would get even more unpleasant before it is over. As made clear from Putin's performance in his carefully-staged TV interviews with Gazprom's Miller, the decision to cut off the gas was clearly Putin's. Gryshenko termed it an act of "political emotionalism" designed to show "who has the stick."

¶17. (C) Gryshenko predicted Putin's visceral reaction would scare European consumers and result in "big trouble" for Russia by encouraging the Europeans to seek other long-term sources of supply. This would hurt Ukraine in the long-run too "because we need the transit revenues."

Comment

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¶18. (C) The Rada comes back in session January 13, so the hiatus in criticism from the Party of Regions (and others) may soon come to an end. Nonetheless, the cooperation to date on this issue between bitter rivals Tymoshenko and Yushchenko, and their teams, has been notable. It follows a common position in December when the two rivals sent a joint letter to the IMF seeking flexibility in the IMF program. How long this newfound unity will last (if it lasts at all) is an open question, but, as Samuel Johnson said, "nothing focuses the mind like a hanging."

TAYLOR